# RURAL GAS PROGRAM POLICY MANUAL

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# RURAL GAS PROGRAM POLICY MANUAL

## Introduction

This second issue of the Rural Gas Program Policy Manual is issued under the authority of the Minister of Utilities and Telephones and is administered by the Gas Utilities Division of the Department of Utilities and Telephones.

The intent and purpose of this manual is to describe the various policies associated with the Rural Gas Program and to consolidate and expand upon the legislation under which the Program has been developed. However, this manual has no authority or precedence over this legislation and, as such, has no legislative sanction with respect to legal interpretation. It is intended primarily for the use and information of rural gas distributors, their agents, and other private or Government parties having an interest in the Rural Gas Program.

It is the responsibility of all users to maintain and update this manual and to make use of its contents to aid in the orderly and economic development of rural gas utilities and the Rural Gas Program in general.

## General Definitions

Certain special terms and phrases used in this manual require definition in order that their application to policy can be clearly understood. Many of these definitions are contained in the sections of the manual to which they specifically apply. The following definitions apply to terms which are more broadly used throughout this manual.

1. "Chief officer" means the Deputy Minister of the Department or an employee of the Department designated by the Minister as chief officer.
2. "Department" means the Department of Utilities and Telephones.
3. "Distributor" means
   (a) The owner of a gas utility to which the Gas Utilities Act applies,
   (b) A member-owned co-operative association,
   (c) A rural municipal authority, or
   (d) A remote urban municipality designated by the Minister under section 2(2) of the Rural Gas Act,

   that owns or operates a rural gas utility.
4. "Division" means the Assistant Deputy Minister of the Gas Utilities Division of the Department.
5. "Member-owned co-operative association" means a rural gas co-operative association that owns its rural gas utility.
6. "Minister" means the Minister of Utilities and Telephones.
7. "Pipeline" includes any equipment, apparatus, mechanism, machinery or instrument incidental to the operation of a pipeline.
8. "Rural gas co-operative association" means an association as defined in the Co-operative Associations Act having as its principal object the supplying of gas to its members.
9. "Rural gas utility" means a system of pipelines for the distribution and delivery of gas that provides gas service wholly or primarily to rural consumers in Alberta or consumers in remote urban municipalities in Alberta.
10. "Rural municipal authority" means
    (a) The corporation of a municipal district or county, or
    (b) The Minister of Municipal Affairs, in the case of an improvement district or special area.

# PART A

# RURAL GAS FRANCHISES

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## 1. Franchise Area Approvals and Amendments

1.1 A potential distributor which proposes to develop a rural gas utility, or the owner of an existing rural distribution system, may upon application to the Division be eligible for a natural gas franchise if it meets the criteria for franchise area approvals outlined in subsection 1.2.

1.2 Franchise area approvals may be given if the proposed area

1.2.1 Is constituted so that 80 percent of the potential farm consumers within its boundaries could be served by a rural gas utility at a reasonable capital cost per farm consumer which is not less than the minimum economic contour of $2200,

1.2.2 Will coincide as nearly as possible with existing municipal boundaries,

1.2.3 Takes into consideration

(a) Natural boundaries or other obstacles which would inhibit growth of a rural gas utility, and

(b) Boundaries of existing franchise or service areas or other gas distribution systems, and

1.2.4 Reflects local conditions and community of interest among potential consumers.

1.3 The franchise area approval shall exclude areas contained within urban municipal boundaries unless the council of the urban municipality first approves natural gas service to the residents of the municipality by the distributor to whom the franchise area approval is issued.

1.4 The chief officer may tentatively approve the boundaries of a franchise area if it has received a written application from a potential rural gas distributor and is of the opinion that the proposed rural gas utility will be economically viable. If the boundaries of a franchise area are tentatively approved, the potential distributor may proceed to the service area approval stage.

1.5 The chief officer may amend a franchise area approval

1.5.1 If, in the case of the transfer of any portion of or the whole of an approved franchise area from one distributor to another distributor, both distributors agree in writing to the proposed amendment, and the amendment will likely not, in the opinion of the chief officer, adversely affect the economic viability of either distributor or create a precedent which may subsequently adversely affect the economic viability of either distributor,

1.5.2 If, in the opinion of the chief officer, the amendment will not adversely affect government policy respecting development and stability of rural gas utilities in Alberta or the overall interests of consumers in the Rural Gas Program, and

1.5.3 If he is satisfied that the amendment is in the public interest.

1.6 The chief officer may refuse to amend a franchise area approval if he is satisfied that

1.6.1 The distributor whose franchise area would be reduced by the amendment has complied with or is prepared to comply immediately with section 2 respecting its duty to offer gas service to consumers within its franchise area, or

1.6.2 The basis for the application is primarily to obtain gas service for a consumer or group of consumers at a lower capital charge or lower gas rates for that consumer or group of consumers than have or may be charged to other consumers who would remain within the amended franchise area, and

1.6.3 It is not in the public interest to do so.

1.7 The chief officer, when issuing a franchise area approval or an amendment to it, shall attach a map setting out the area that is subject to the approval or amendment and a legal description of the franchise area boundary as approved or amended. If an application for a franchise area approval or amendment is refused, the chief officer shall notify the applicant in writing.

## 2. Rights and Duties of Distributors

2.1 A distributor holding a franchise area approval has both the exclusive right and the duty to offer natural gas service to all potential consumers within the franchise area, except for the following consumer categories:

2.1.1 A consumer using gas as a feedstock;

2.1.2 A consumer using gas which is not eligible for a rebate under the Natural Gas Price Protection Plan;

2.1.3 A consumer using gas in its own integrated system of production, transmission, and end use in its own operation;

2.1.4 A consumer using gas on an intermittent or standby basis, other than for grain dryers or for irrigation purposes;

2.1.5 Electric power generating plants of more than 1 MW (megawatt) production capacity;

2.1.6 A consumer whose actual or estimated annual consumption for heat processes used in the production of goods is at least 40 percent of its total annual consumption, and whose actual or estimated annual consumption exceeds 10 000 GJ (gigajoules).

2.2 Notwithstanding the lack of exclusive rights which a distributor has with respect to the type of consumers listed in subsection 2.1.1 to 2.1.6 inclusive, a distributor may nevertheless offer natural gas service to any of these potential consumers provided that they are located in its franchise area.

2.3 If an offer of gas service under subsection 2.1 or 2.2 has been accepted by the potential consumer, the distributor must apply for construction approval in accordance with Part B, and on receipt of construction approval must provide service as soon as is reasonably possible.

2.4 Notwithstanding subsections 2.1 and 2.3, a distributor's duty to serve all potential consumers under this section may be waived in whole or in part by the chief officer if he is satisfied that the capital cost of serving a consumer or group of consumers may adversely affect the economic viability of the distributor's rural gas utility.

2.5 No distributor may offer gas service to a potential customer outside its franchise area or within the franchise area of another distributor unless it has the written consent of the chief officer to do so.

## 3. Revocation of Franchise Area Approvals

3.1 The chief officer may revoke a franchise area approval if the distributor

3.1.1 Does not apply for a service area approval within one year from the date of issue of a franchise area approval.

3.1.2 Does not apply for a construction approval within one year from the date of issue of a service area approval, or

3.1.3 Allows any other circumstances to develop which the chief officer considers prejudicial to the distributor's consumers or potential consumers.

# PART B

# TECHNICAL APPLICATIONS

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## 1. Applications - General

1.1 Technical applications are required for any proposed construction activity in a rural gas utility, or for any special projects or programs which the distributor proposes to undertake with the support of Government grants. Applications will normally be submitted by the distributor's engineering consultant but, in all instances, the Division will consider such an application as equivalent to an application submitted directly by the distributor itself.

1.2 Applications described in this Part B may be divided into the following categories:

1.2.1 Preliminary applications which are intended to highlight the basic features of a project - particularly those of an economics nature - in advance of a construction application for the project. Such applications permit the distributor and the Division to decide on a project's feasibility in advance of such steps as obtaining utility rights-of-way or materials for the project. Applications are described in the following sections:

2. **Preliminary Applications**
3. **Service Area Applications**

1.2.2 Formal construction applications which constitute a request by the distributor to the Division for approval to proceed with construction of a project. Such applications should logically follow receipt of a preliminary approval for the project unless it is obviously feasible (e.g., short, inexpensive primary service lines) or necessary (e.g., PE 3306 replacement). Applications are described in the following sections:

4. **Construction Applications for New Service Areas or Extensions**
   To include any new pipeline project where the estimated capital cost exceeds $100 000 or where the project contains aluminum or steel pipelines.
5. **Applications for Service to Consumer Additions**
   To include any project involving service to new customers where the estimated capital cost does not exceed $100 000 and where the project does not include aluminum or steel pipelines.
6. **Construction Applications for Upgrading of Existing Distribution Facilities**
   To include any projects which involve upgrading existing distribution facilities by improvement, abandonment, replacement, or addition to those facilities.

1.2.3 As-built drawing applications as described in section 7.

1.3 Following receipt of a **completed** application which meets the requirements outlined in the applicable section of this Part B, the Division may issue

1.3.1 A preliminary approval,

1.3.2 A service area approval,

1.3.3 A construction approval,

1.3.4 A letter of confirmation, or

1.3.5 A letter of acceptance for as-built drawings.

The type of approval, confirmation, or acceptance issued will be determined primarily by the type of application and the nature, scope, and capital cost of the project or program described in the application.

A distributor shall not proceed with any project or program described in this Part B unless

1.3.6 It has firstly made application to the Division, and

1.3.7 It has received an approval or letter of confirmation from the Division and has satisfied any conditions specified in the approval or letter of confirmation.

## 2. Preliminary Applications

2.1 A preliminary application is a useful method for a distributor to ascertain if Division approval would be granted for a project and to receive advance notice of the type and extent of grant support which would be available should the project proceed. Such applications are particularly useful for large or expensive projects where the distributor wishes to receive advance confirmation of grants and other relevant information before committing itself to formal project applications, contracts, or material purchases.

2.2 The content of a preliminary application should reflect the nature of the project in question, but all such applications should include the minimum information which the Division will need to evaluate and respond fully to the distributor's request.

2.3 The following types of project may be considered as typical of instances where preliminary applications may be advantageous to a distributor:

2.3.1 Extensions or consumer addition projects where the average cost per consumer is relatively high;

2.3.2 Upgrading projects involving system looping, improvement, or replacement;

2.3.3 Any project not clearly covered by the provisions within this manual or by precedent;

2.3.4 Any project where the content or approach involved may be considered unique;

2.3.5 Any project where the distributor simply wishes to satisfy itself in advance that Division approval is available and that the type and level of grant support is sufficient to make the project feasible.

## 3. Service Area Applications

3.1 An application for service area approval essentially constitutes a preliminary application along the lines of section 2; however, such an application must be more comprehensive in content and definitive in detail since it applies to a project where feasibility is more critical to the distributor.

3.2 A service area application is required when a distributor proposes to provide natural gas service from a new gas source or sources to a presently unserviced area within its franchise and where such an area has not previously been covered by a service area approval.

3.3 Since preparation of a service area application is fairly involved and is normally undertaken by the distributor's engineering consultant, a distributor must ensure that it has an agreement with its consultant which has been approved in writing by the Division pursuant to Part C, section 2, prior to any engineering work being carried out on the application.

3.4 A service area application shall contain the following minimum information:

3.4.1 Details of the proposed gas source(s) including:
- (a) Legal description;
- (b) Type of access for operation and maintenance purposes;
- (c) The results obtained from an investigation of gas quality and security of supply;
- (d) The licensed pressure and the maximum operating pressure of the source;
- (e) The name of the owner or licensee and the name of the contact person.

3.4.2 One copy of load survey forms for:
- (a) All potential farm consumers;
- (b) All non-grantable consumers who have applied for service.

Load surveys should meet the specifications outlined in Part B, section 1 of the Division's Technical Standards and Specifications Manual.

3.4.3 One copy of a list of all potential consumers within the service area which should contain the following information for each consumer:
(a) Name;
(b) Category, being one of the following:
(i) Farm
(ii) Urban
(iii) Non-grantable rural
(iv) Non-grantable urban
(v) Special non-grantable rural
(vi) Special non-grantable urban
(vii) Irrigation
(viii) Grain dryer
(ix) Communal farm
(x) Indoor farm
(xi) Other: specify
(c) Legal description;
(d) Design load;
(e) Sign-up or refusal.

3.4.4 One copy of the proposed bid document and/or construction contract as required in accordance with Part C, section 3 and/or 4 **unless** the format for such documents has already been submitted previously to the Division.

3.4.5 One copy of a cost estimate for the proposed project.

3.4.6 One copy of design plans for the project which adequately reflect the distribution system layout and design and the general topographical features of the service area.

3.5 The information required under subsection 3.4 reflects the minimum data which the Division requires to evaluate a service area application and to respond adequately to the distributor. Normally, much of this information need not be submitted again if required for a construction application under this section provided that it has not been amended between the time of the service area application and construction application.

## 4. Construction Applications for New Service Areas or Extensions

4.1 Irrespective of any permit or approval issued by any other party, a distributor shall not commence construction of a project unless it is in receipt of a construction approval from the Division.

4.2 A distributor should request a service area approval or a preliminary approval before preparing and submitting a construction application for a new service area or extension in order that it may be assured in advance that the project will be approved by the Division.

4.3 Normally, applications under this section involve a project size and scope which justifies the need for a formal agreement between the distributor and its engineering consultant under the provisions of Part C, section 2. Accordingly, a distributor must ensure that it has an agreement with its consultant which has been approved in writing by the Division prior to any engineering work being carried out on a construction application.

4.4 A construction application under this section shall contain the following minimum information:

4.4.1 **Unless submitted previously,** details of any proposed gas source(s) for the project including:
(a) Legal description;
(b) Type of access for operation and maintenance purposes;
(c) The results obtained from an investigation of gas quality and security of supply;
(d) The licensed pressure and the maximum operating pressure of the source;
(e) The name of the owner or licensee and the name of the contact person.

4.4.2 **Unless submitted previously,** one copy of load survey forms for:
(a) All potential farm consumers;
(b) All non-grantable consumers who have applied for service.

Load surveys should meet the specifications outlined in Part B, section 1 of the Division's Technical Standards and Specifications Manual.

4.4.3 **Unless submitted previously,** one copy of a list of all potential consumers within the service area or extension which should contain the following information for each consumer:
(a) Name;
(b) Category, being one of the following:
(i) Farm
(ii) Urban
(iii) Non-grantable rural
(iv) Non-grantable urban
(v) Special non-grantable rural
(vi) Special non-grantable urban
(vii) Irrigation
(viii) Grain dryer
(ix) Communal farm
(x) Indoor farm
(xi) Other: specify
(c) Legal description;
(d) Design load;
(e) Sign-up or refusal.

4.4.4 One copy of a **detailed** spread sheet describing the individual tenders received for materials and equipment to be used in the project and for construction of the project, where such tenders are specified under Part C, section 4. A construction application should include a list of selected suppliers and contractors and, where any individual selection does not reflect the lowest tender received, an outline of the reasons for this selection should be provided.

4.4.5 One copy of a **detailed** cost estimate for the project based on the selected tenders for labour, materials, and equipment. Since this cost estimate will form a principal basis for the construction approval, it should be prepared with accuracy and should reflect the individual portions of the total capital cost for the project which are applicable to the different grant structures which would be specified in the construction approval. The following cost items should be listed separately to reflect the various grant structures specified in Part E:
(a) Urban capital costs;
(b) RMO station costs;
(c) Grain dryer costs;
(d) Non-grantable capital costs;
(e) Rural capital costs.

A typical cost estimate is shown in Appendix I to illustrate the most effective way to present capital cost estimates for new service areas or extensions. Presentation in this manner allows the Division to evaluate project economics and to correctly allocate capital costs and grants in the construction approval.

4.4.6 One copy of the permit application form (PL 100) to the Energy Resources Conservation Board. Where the PL 100 is not applicable under the provisions of the Board's Interim Directive ID 82-1 or the Pipeline Regulations, a copy of the application to the Board under its modified permitting procedure should be submitted with the construction application.

4.4.7 Two copies of 1:20 000 rural distribution system layout plans which should contain the following information:
(a) Approved franchise boundaries:
(b) Any major topographical features;

(c) Any roads, highways, rivers, railways, canals, creeks, water bodies, and foreign pipelines;
(d) All potential consumers;
(e) The proposed layout of the distribution system indicating pipe sizes and material types, and design loads.

4.4.8 One copy of the following plans as applicable:
(a) An overall system plan;
(b) Urban and/or subdivision plans;
(c) Detail plans for crossings, intermediate regulator stations, block valve assemblies, cathodic protection systems; and consumer risers and meter/regulator sets.

4.4.9 One copy of the cathodic protection designs and specifications for metallic pipelines, crossings, and risers. Where any or all of these facilities are to be cathodically protected by a corrosion specialist, designs and specifications for these facilities may be omitted from the construction application.

4.4.10 One copy of a covering transmittal letter which should contain the following information:
(a) A synopsis of the project including any relevant cost information;
(b) Confirmation with respect to the requirements for an engineering agreement as outlined in subsection 4.3;
(c) A general description of project management responsibilities as assigned between the distributor and its engineering consultant including responsibilities for:
(i) Staking of pipeline route and location of above-ground assemblies;
(ii) Inspection of construction activity;
(iii) As-built surveying;
(d) The status of utility rights-of-way, including a listing of rights-of-way which have been executed by the landowner but not yet submitted to the Department for registration and a listing of rights-of-way required for the project but not yet executed by the landowners involved. Distributors should note the special requirements for utility rights-of-way outlined in Part F, section 3.
(e) The status of all above-ground appurtenance agreements required for the project.

## 5. Construction Applications for Service to Consumer Additions

5.1 Consistent with the Energy Resources Conservation Board's Interim Directive ID 82-1, the Division recognizes that service to consumer additions by means of installing primary service lines, which may be defined as that portion of a distribution system serving a single consumer, necessitates minimal technical input since such lines are relatively short in length and normally 26.7 mm in diameter. Accordingly, the Division's interests with respect to such lines relate primarily to economic factors.

5.2 Where a distributor proposes to serve consumer additions by installation of primary service lines only, applications for service to these consumer additions should consist of

5.2.1 One copy of a 1:20 000 rural distribution system layout plan or a suitable scale urban plan, as appropriate, showing the proposed routing and size of the primary service(s).

5.2.2 One copy of a list of consumers which should contain the following information for each consumer:
(a) Name;
(b) Category, being one of the following:
(i) Farm
(ii) Urban
(iii) Non-grantable rural
(iv) Non-grantable urban
(v) Special non-grantable rural
(vi) Special non-grantable urban

(vii) Irrigation
(viii) Grain dryer
(ix) Communal farm
(x) Indoor farm
(xi) Other: specify

(c) Legal description;
(d) Design load;
(e) Sign-up or refusal.

5.2.3 A covering transmittal letter which should specify the capital cost for installation of the primary service(s) and, if applicable, a cost of service to each non-grantable consumer.

5.3 Applications for service to consumer additions which involve installation of pipelines other than primary service lines should contain the following information in addition to those items listed in subsection 5.2:

5.3.1 One copy of the application to the Energy Resources Conservation Board under the provisions of the Board's Interim Directive ID 82-1.

5.3.2 One copy of a cost estimate prepared in accordance with the format outlined in Appendix I.

5.4 The Division may request a copy of a load survey for any consumer included in a project application under this section.

## 6. Construction Applications for Upgrading of Existing Distribution Facilities

6.1 Irrespective of any permit or approval issued by any other party, upgrading of existing distribution facilities shall not be undertaken unless the distributor has received a construction approval from the Division. However, exceptions to this requirement can be made where unsafe or hazardous circumstances necessitate the immediate upgrading of affected facilities.

6.2 Upgrading can be generally defined as any capital project or program which would modify the existing distribution facilities by improvement, abandonment, replacement, or addition to those facilities.

6.3 As indicated in section 2, it is normally advantageous for a distributor to firstly submit a preliminary application for an upgrading project.

6.4 Except for upgrading projects of a minor nature which involve limited capital expenditures, projects which require the services of an engineering consultant will normally require a formal agreement between the distributor and its consultant under the provisions of Part C, section 2. Accordingly, a distributor must ensure that it has an agreement which has been approved in writing by the Division prior to any engineering work being carried out on a construction application.

6.5 The information required in a construction application for an upgrading project will normally be determined by the type of project. For example, a large pipe replacement project would require a comprehensive package of information similar to the requirements of subsection 4.4, while an application to upgrade a regulator station would normally only require some basic design and cost information. Generally, the following information will normally suffice as supporting data for an application to upgrade a distribution system:

6.5.1 If applicable, details of any proposed gas sources for the project including:
(a) Legal description;
(b) Type of access for operation and maintenance purposes;
(c) The results obtained from an investigation of gas quality and security of supply;
(d) The licensed pressure and the maximum operating pressure of the source;
(e) The name of the owner or licensee and the name of the contact person.

6.5.2 If applicable, **and unless submitted previously,** one copy of all load survey

forms for all farm consumers and other large-volume consumers affected by the upgrading project or utilized in the determination of the scale of the project. Load survey forms should meet the specifications outlined in Part B, section 1 of the Division's Technical Standards and Specifications Manual.

6.5.3 One copy of a **detailed** cost estimate for the project based on quoted prices for labour and materials to be used in the project.

6.5.4 One copy of the permit application form (PL 100) as submitted to the Energy Resources Conservation Board. Where the PL 100 is not applicable under the provisions of the Board's Interim Directive ID 82-1 or the Pipeline Regulations, a copy of the application to the Board under its modified permitting procedure should be submitted with the construction application.

6.5.5 One copy of a set of plans or design drawings for the project. For distribution system upgrading, an overall plan or schematic which illustrates the type of upgrading and its effect on the existing system should be submitted.

6.6 Any other necessary information to support the various technical and economic aspects of the projects. For guidance in this regard, refer to the additional information outlined in section 4.

## 7. As-Built Drawing Applications

7.1 Each distributor shall make application prior to March 31 of each calendar year for acceptance by the Division of as-built drawings of all construction undertaken during the preceding calendar year.

7.2 An application under subsection 7.1 should include all construction. Separate applications should only be submitted in exceptional circumstances and, nevertheless, only one letter of acceptance will be issued by the Division following receipt of all separate applications.

7.3 As-built drawing applications should contain the following information:

7.3.1 Four copies of distribution system layout plans prepared in accordance with Part B, sections 8 and 9 of the Division's Technical Standards and Specifications Manual and containing the following minimum information:

(a) Approved franchise boundaries;
(b) Any major topographical features;
(c) Any roads, highways, rivers, railways, canals, creeks, water bodies, and foreign pipelines;
(d) All potential consumers;
(e) The distribution system or pipelines constructed during the preceding year coloured in red.

7.3.2 If applicable, four copies of any detail plans of any urban or subdivision areas prepared in accordance with and containing the same information as the specifications outlined in subsection 7.3.1. In addition, detail plans shall also include any urban boundaries designated by the Division for grant eligibility purposes and, where applicable, the designated municipal boundary for any town or village.

7.3.3 One copy of any applicable detail plans which illustrate the **as-built** layout of any crossings, regulator stations or other similar facilities.

7.3.4 One copy of the license application form to the Energy Resources Conservation Board.

7.3.5 One copy of a corrosion protection report.

# NORTH CALGARY GAS CO-OP LTD.
# TAP 10 EXTENSION
## PROJECT SUMMARY

| | | |
|---|---|---|
| 1. | **CAPITAL COSTS** | |
| | Net rural capital costs | $434,740 |
| | Net urban capital costs | 84,040 |
| | Grain dryer capital costs | 24,100 |
| | Non-grantable costs | 19,000 |
| | TOTAL PROJECT COST | $561,880 |
| 2. | **CAPITAL COST BREAKDOWN** | |
| | Materials | $213,000 |
| | Contractor | 230,900 |
| | Engineering, inspection and survey | 68,985 |
| | Other special services | 6,000 |
| | Distributor overhead | 14,000 |
| | Crop damages | 6,000 |
| | Miscellaneous and contingency | 22,995 |
| | TOTAL PROJECT COST | $561,880 |
| 3. | **CONSUMER STATISTICS** | |
| | Farm consumers | 51 |
| | Urban consumers | 34 |
| | Grain dryer consumers | 10 |
| | Non-grantable consumers | 3 |
| | TOTAL CONSUMERS | 98 |
| 4. | **PIPELINE STATISTICS** | |
| | Aluminum pipeline | 10.4 km |
| | Polyethylene pipeline | 80.6 km |
| | TOTAL PIPELINE | 91.0 km |

**NORTH CALGARY GAS CO-OP LTD.**
**TAP 10 EXTENSION**

**CONSTRUCTION COST ESTIMATE**
**RURAL CAPITAL COSTS**

| | | | |
|---|---|---|---|
| 1. | **ALUMINUM LINE INSTALLATION** | | |
| | 6.3 km x 60.3 mm @ $7,000/km | $ 44,100.00 | |
| | 4.1 km x 48.3 mm @ $6,000/km | 24,600.00 | $ 68,700.00 |
| 2. | **POLYETHYLENE LINE INSTALLATION** | | |
| | 15.6 km x 48.3 mm @ $5,000/km | 78,000.00 | |
| | 26.2 km x 33.4 mm @ $4,000/km | 104,800.00 | |
| | 30.4 km x 26.7 mm @ $3,000/km | 91,200.00 | 274,000.00 |
| 3. | **CROSSINGS** | | |
| | 1 highway @ $3,000 | 3,000.00 | |
| | 10 roads @ $1,000 | 10,000.00 | |
| | 4 pipelines @ $500 | 2,000.00 | 15,000.00 |
| 4. | **SPECIAL CHARGES** | | |
| | 2 km bush @ $2,000/km | 4,000.00 | |
| | 0.5 km muskeg @ $1,000/km | 500.00 | |
| | Ultrasonic inspection | 2,500.00 | |
| | Cathodic protection | 2,000.00 | 9,000.00 |
| 5. | **INTERMEDIATE REGULATOR STATIONS** | | |
| | 4 @ $2,500/station | 10,000.00 | 10,000.00 |
| 6. | **METER/REGULATOR ASSEMBLIES** | | |
| | 50 @ $300/assembly | 15,000.00 | |
| | 10 @ $1,000/assembly | 10,000.00 | |
| | 1 @$4,000/assembly | 4,000.00 | 29,000.00 |
| 7. | TOTAL CONSTRUCTION COSTS | | 405,700.00 |
| 8. | **ADDITIONAL RELATED COSTS** | | |
| | Engineering, inspection and survey @ 15% of $405,700.00 | 60,855.00 | |
| | Crop damages | 6,000.00 | |
| | Distributor overhead | 10,000.00 | |
| | General contingency @ 5% of $405,700.00 | 20,285.00 | 97,140.00 |
| 9. | TOTAL RURAL SYSTEM COST | | 502,840.00 |

| | | | | |
|---|---|---|---|---|
| 10. | **SPECIAL DEDUCTIONS** | | | |
| | Proration of common carrier line costs to urban system | | 15,000.00 | |
| | Fixed grain dryer costs | | | |
| | 6 @ $2,150 | | 12,900.00 | |
| | 4 @ $2,700 | | 11,200.00 | |
| | Non-grantable costs | | | |
| | Husky Oil | $16,000.00 | | |
| | Esso Service | 2,000.00 | | |
| | St. James Church | 1,000.00 | 19,000.00 | (58,100.00) |
| 11. | NET RURAL CAPITAL COST | | | $434,740.00 |
| 12. | **SUMMARY** | | | |
| 12.1 | **Costs** | | | |
| | (a) Net rural capital costs | | $434,740.00 | |
| | (b) Cost per farm consumer | | 8,524.31 | |
| 12.2 | **Statistics** | | | |
| | (a) Total potential farm consumers | | 70 | |
| | (b) Total farm consumers - actual | | 51* | |
| | (c) Percentage sign-up | | 73% | |

* Includes 46 farm and 1 communal farm @ 5 contracts

## NORTH CALGARY CO-OP LTD.
## TAP 10 EXTENSION

### CONSTRUCTION COST ESTIMATE
### URBAN CAPITAL COSTS

| | | | |
|---|---|---|---|
| 1. | **POLYETHYLENE LINE INSTALLATION** | | |
| | 1.2 km x 60.3 mm @ $7.00/m | $ 8,400 | |
| | 2.9 km x 48.3 mm @ $6.00/m | 17,400 | |
| | 4.3 km x 26.7 mm @ $3.00/m | 12,900 | $ 38,700 |
| 2. | **SPECIAL CHARGES** | | |
| | 5 isolation valves @ $200/each | 1,000 | |
| | 1.4 km extra-depth ditching @ $1.00/m | 1,400 | |
| | Cathodic protection | 1,500 | 3,900 |
| 3. | **METER/REGULATOR ASSEMBLIES** | | |
| | 32 @ $300/assembly | 9,600 | |
| | 2 @ $1000/assembly | 2,000 | 11,600 |
| 4. | TOTAL CONSTRUCTION COSTS | | 54,200 |
| 5. | **ADDITIONAL RELATED COSTS** | | |
| | Engineering, inspection and survey @ 15% of $54,200 | 8,130 | |
| | Distributor overhead | 4,000 | |
| | General contingency @ 5% of $54,200 | 2,710 | |
| | Proration of common carrier line costs | 15,000 | 29,840 |
| 6. | NET URBAN CAPITAL COST | | $84,040 |
| 7. | **SUMMARY** | | |
| 7.1 | **Costs** | | |
| | (a) Net urban capital costs | | 84,040.00 |
| | (b) Cost per urban consumer | | 2,471.76 |
| 7.2 | **Statistics** | | |
| | (a) Total potential urban consumers | | 50 |
| | (b) Total urban consumers - actual | | 34 |
| | (c) Percentage sign-up | | 68% |

# PART C

# CONTRACTS AND TENDERS

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1. **Contracts - General**

1.1 No person shall carry on any activity with respect to the design, project management, or construction of a distribution system, pipeline, or other facility which is part of a rural gas utility except pursuant to an engineering or construction contract.

1.2 Notwithstanding subsection 1.1, the requirement for an engineering or construction contract may be waived by the Division if it is satisfied that the absence of such a contract will not adversely affect the design, project management, or construction of the facilities in a rural gas utility.

1.3 Grants payable to distributors pursuant to the provisions of Part E will be based on the terms of any contract required by this Part C where that contract, including any amendments thereto, has been approved by the Division.

2. **Contracts for Engineering Services**

2.1 For purposes of this section, an engineering contract means a contract between a distributor and a person or firm which intends to provide the distributor with design, project management, inspection and/or surveying services.

2.2 A written engineering contract is required under this section where a distributor engages a person or firm to provide those services described in subsection 2.1.

2.3 Notwithstanding subsection 2.2, an engineering contract is not required where it is anticipated that the value of the services to be provided will not exceed $20,000 for the fiscal period in which the services are to be provided; however, a distributor may, at its option, nevertheless enter into a written engineering contract where the value of services is anticipated to be less than $20,000.

2.4 Where a written engineering contract is required, a distributor shall ensure that its terms comply with the minimum requirements of subsection 2.5, and that the contract document is approved in writing by the Division **prior to** its execution by the distributor unless

2.4.1 The format of the engineering contract has previously been approved by the Division, or

2.4.2 The distributor entering into the contract is the owner of a gas utility to which the Gas Utilities Act applies.

2.5 An engineering contract which is required under this section shall, where applicable and appropriate to the type of services to be provided, include at least the following:

2.5.1 A schedule of charges that will enable the distributor to reasonably assess and control the total charges to be incurred,

2.5.2 A clear identification of the party responsible for both the general location and the specific location of foreign pipelines or other underground utilities across which the distributor's facilities are to be constructed,

2.5.3 A clear identification of the party responsible for on-site inspection during construction of the distributor's facilities,

2.5.4 Details of the construction tendering procedure to be used pursuant to section 4,

2.5.5 The specific responsibilities of each party to the contract,

2.5.6 Specific details of the basis or methods to be used for determination of all capital costs of construction, if capital costs of construction are to be used for calculation of charges,

2.5.7 An explanation of the method for calculation of charges for progress and final payments,

2.5.8 Provision for documentation to be provided by the engineer or engineering firm to the distributor establishing that the distributor's facilities have been constructed in accordance with all applicable standards,

2.5.9 Provision for termination,

2.5.10 Provision for arbitration, and

2.5.11 Provision for the association to retain copyright and ownership of plans and designs prepared by the engineer or engineering firm.

3. **Contracts for Construction Services**

3.1 A written construction contract is required under this section where a distributor engages a person or firm to fabricate and/or install a distribution system, pipeline, or other facilities in a rural gas utility.

3.2 Notwithstanding subsection 3.1, a construction contract is not required where the value of the construction services, as determined from the tender or quotation received to install the facilities, in any specific project does not exceed $20,000. However, a distributor may, at its option, nevertheless enter into a written construction contract where the value of the construction services is less than $20,000.

3.3 Where a written construction contract is required, a distributor shall ensure that its terms comply with the minimum requirements of subsection 3.4, and that the contract document is approved in writing by the Division **prior to** execution unless

3.3.1 The format of the construction contract has previously been approved by the Division, or

3.3.2 The distributor entering into the contract is the owner of a gas utility to which the Gas Utilities Act applies.

3.4 A construction contract which is required under this section shall, where applicable and appropriate to the type of services being provided, include at least the following:

3.4.1 A clear identification of the representative of the distributor to be present at the exposure or physical crossing of a foreign pipeline or other underground utility,

3.4.2 A specific date for completion of construction and testing of the distributor's facilities,

3.4.3 A clear identification of the party responsible for on-site inspection during construction of the distributor's facilities,

3.4.4 The specific responsibilities of each party to the contract,

3.4.5 A section setting out the construction specifications,

3.4.6 An explanation of the method for the calculation of the amount and time of payment of invoices,

3.4.7 A holdback clause,

3.4.8 Provision for documentation to be provided by the construction contractor to the distributor establishing that the distributor's facilities have been fabricated and/or constructed in accordance with all applicable standards specified in this regulation, and

3.4.9 Provision for a one-year maintenance guarantee of the construction contract from the date of final construction completion and acceptance by the distributor.

3.5 Where the value of a construction contract exceeds $100,000, the construction contractor shall provide the distributor with a performance bond obtained from a surety company licensed to do business in the Province of Alberta.

3.6 A performance bond obtained under the provisions of subsection 3.5 shall

3.6.1 Be equal in value to the value of the construction contract,

3.6.2 Contain a provision for security with respect to the one-year maintenance guarantee required under subsection 3.4.9, and

3.6.3 Be deposited with the distributor, and copied by the distributor to the Division, prior to commencement of the project.

## 4. Tenders for Materials and Services

### 4.1 Materials and Equipment Tenders

4.1.1 Where the value of any individual quantity of a specific type of material or equipment for a project exceeds the amount specified below, tenders shall be obtained by private invitation from at least two suppliers, unless a specific type of material or equipment is available from only one supplier, or the distributor has received prior approval from the Division to invite a tender from only one supplier.

| Type of Material or Equipment | Value of Goods Per Project |
|---|---|
| Steel pipe | $50,000 |
| Aluminum pipe | $50,000 |
| Polyethylene pipe | $20,000 |
| All other materials or equipment | $20,000 |

4.1.2 Invitations to tender shall be compiled and submitted to suppliers in a manner which will ensure that all suppliers involved are provided with identical information on materials or equipment specifications and with identical terms and conditions applicable to purchase and delivery of the material or equipment.

### 4.2 Construction Tenders

4.2.1 Where the value of work to be performed by a contracting firm for a major construction, upgrading, or consumer additional project is anticipated to exceed $20,000, tenders shall be obtained for construction of the project.

4.2.2 Where the value of work to be performed under subsection 4.2.1 exceeds $20,000 but does not exceed $100,000, tenders may be obtained by private invitation only. At least six qualified contracting firms shall receive invitations to tender on this basis unless the distributor has received the prior approval of the Division to invite tenders from less than this number of firms. However, to ensure that the maximum degree of competitiveness associated with construction tendering is achieved, it is preferable to invite tenders from as many qualified contracting firms as possible.

4.2.3 Where the value of work to be performed under subsection 4.2.1 exceeds $100,000, tenders shall be invited by public notice, unless the distributor has received the prior approval of the Division to obtain tenders by private invitation only. Public notices for this purpose should be advertised in a manner and frequency which will ensure that all qualified contracting firms in the Province of Alberta have a reasonable opportunity to become aware of the invitation to tender.

4.2.4 All invitations to tender for a specific project shall be compiled and distributed in a manner that will ensure that all contracting firms involved are provided with identical information with respect to the scope of the work and the terms applicable to the bid documents and contract documents.

4.2.5 Tender documents for a project where the value of the work to be performed by a contract firm exceeds $100,000 shall contain the requirements for bonding specified in subsection 3.5.

# PART D

# DETERMINATION OF SYSTEM CAPITAL COSTS FOR GRANT SUPPORT

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## 1. System Capital Costs - General

1.1 The intent of this Part D is to outline the policies utilized by the Division for determination of system capital costs for any fiscal period in a rural gas utility since:

1.1.1 The costs determined by these policies will be utilized by the Division for calculation of grant support for which a distributor may be eligible, and

1.1.2 The policies utilized by the Division may result in a system capital cost which differs from the system capital cost specified in a distributor's financial statement.

1.2 The policies outlined in this Part D are intended to:

1.2.1 Achieve reasonable controls for expenditure of capital costs,

1.2.2 Outline the basic parameters utilized by the Division when conducting audits of system capital costs,

1.2.3 Define the various cost components from which the system capital cost is determined,

1.2.4 Define the formulae utilized by the Division to determine the component of system capital costs resulting from internal costs within a rural gas utility, and

1.2.5 Define those components of the system capital costs which are ineligible for grant support.

1.3 The system capital costs for any fiscal period in a rural gas utility may be separated into two areas based on the policies and definitions outlined in this Part D:

1.3.1 Capital costs which are ineligible for grant support (non-grantable) as defined in section 6, and

1.3.2 Capital costs which are eligible for grant support in accordance with the various grant policies and formulae outlined in Part E.

## 2. Budgetary Control Procedures for Capital Cost Expenditures

2.1 The Division's capital grant budget for the Rural Gas Program is subject to certain budgetary controls which necessitate the input and cooperation of all distributors with respect to capital cost expenditures. These controls are necessary to ensure that grant funds available to the Division for ongoing development of the Program are allocated and distributed equitably and fairly and in accordance with reasonable priorities.

2.2 The budgetary control system comprises four basic steps:

2.2.1 **Budget estimating** which takes place around June of the year prior to commencement of the capital projects for which estimates are being prepared, following input by each distributor;

2.2.2 **Selective allocation of grant estimates to distributors,** which takes place around March of the year the capital projects are to be initiated. Allocation of funds at this stage will take account of more refined estimates for anticipated construction by each distributor, a review of these estimates by the Division, and selective allocation of grant funds which, depending on the availability of funds, may require selective deferral of projects which have a low priority rating. The input and cooperation of each distributor may be critical for this step in the budgetary control system;

2.2.3 **Ongoing monitoring and control of capital cost and grant fund commitments** through use of approved estimates and grant specifications in construction approvals, which are in turn based on capital cost estimates prepared by the distributor or its engineering consultant;

2.2.4 **Final determination of the distributor's grant eligibility** through interim and final audits of capital expenditures as derived from the distributor's accounts records and from financial statements provided by the distributor.

2.3 The Division will attach a statement to each construction approval which will confirm the current status of capital cost and grant fund expenditures and commitments, and will also specify remaining funds available for new construction projects for which applications have not yet been received, or for which approvals have not yet been issued. **Distributors should note the content of this statement carefully and utilize the data contained therein to monitor approved projects and to plan additional projects.**

2.4 Upon request by a distributor, or due to other reasons, the Division may from time to time adjust the amount of grant fund allocated to the distributor for any specific type of project or for the total construction program. Confirmation of such adjustments shall be provided to the distributor in the form of a revised statement.

2.5 Each distributor shall develop and maintain suitable budget and cost control systems for its capital projects to ensure that cost overruns or other situations which may affect the amount of grant funds allocated are detected at the earliest opportunity.

3. **Division Audits of System Capital Costs**

3.1 Since all projects which are eligible for grant support require the prior approval of the Division, and since all such approvals will normally specify capital cost estimates, the system capital cost to be utilized for calculation of grant eligibility should normally compare to the aggregate of project estimates approved by the Division, and the Division may require a distributor to justify any capital costs in excess of approved estimates in order that the excess amount may be deemed eligible for grant support.

3.2 In recognition of the many genuine factors which may affect approved capital cost estimates, such estimates will only be utilized as the maximum amount of capital cost for advance and 75 percent progress grant purposes as described in Part E, section 6. However, where a distributor fails to adequately justify an amount of capital cost in excess of approved estimates, the Division may deem the approved estimates or, alternatively, an adjusted estimate to include a justifiable portion of the excess amount, as the final capital cost to be utilized for further progress and year-end grant purposes.

3.3 Where the amount of pipeline and associated plant defined in a construction approval is not installed due to a partial deferral or cancellation of a project, the Division may reduce the approved estimate accordingly and may require the distributor to adequately justify the amount of capital cost in excess of the reduced estimate.

3.4 The Division will determine the final system capital cost which is to be used to calculate total grant eligibility for construction projects, and any other eligible capital projects or programs, in a fiscal year by means of a year-end audit. The audit will include

3.4.1 An analysis of distributor's records to verify system construction costs as specified in the distributor's financial statement,

3.4.2 A review of all capital costs and grant specifications outlined in the applicable construction approvals for the projects to be audited,

3.4.3 A comparison of

(a) Capital costs approved versus capital costs reported for work completed during the fiscal year,

(b) The scope of capital projects or programs approved versus construction progress reported to determine the amount, if any, of capital costs which will be deferred until the following fiscal year.

3.4.4 An evaluation of causes for any significant cost overruns or extraordinary expenditures incurred for construction projects, and a general evaluation to determine if capital costs reported are reasonable and proper for the type and extent of construction actually completed during the fiscal year.

3.5 The final capital cost determined by the Division may not necessarily coincide with the system capital cost presented in the distributor's financial statement, since it must be recognized that the guidelines utilized for the preparation of a financial statement may not necessarily coincide with the policies outlined in this section.

## 4. Components of System Capital Costs

4.1 The audit described in section 3 will recognize the following components of system capital costs which may be eligible for grant support.

4.1.1 **Direct construction costs** which will include only those costs incurred exclusively for approved system capital projects or programs, as defined and described in subsection 4.2, and

4.1.2 **A calculated portion of overhead expense** indirectly attributable to approved capital projects or programs, as defined and described in subsection 4.3.

4.2 **Direct construction costs** may include all necessary and reasonable expenditures for

4.2.1 Construction materials and supplies approved for installation by the Division and actually installed as part of the distributor's system but excluding materials and supplies which are
(a) Placed in inventory,
(b) Used for system operations,
(c) Used in the distributor's office and/or shop, and/or
(d) Resold to consumers or other third parties;

4.2.2 Freight charges which are not included as part of the price schedule in a construction contract, and which are necessarily incurred for materials and supplies eligible for grant support under the provisions of subsection 4.2.1;

4.2.3 Construction services for installation of materials and supplies in the distributor's system, and which comply with the requirements of Part C, section 3, and/or self-construction costs as determined from the unit rate system outlined in section 5;

4.2.4 Professional services strictly related to approved capital projects or programs, and which comply with the requirements of Part C, section 2;

4.2.5 Crop damage claims paid out to landowners, and which are both reasonable and strictly related to crop losses due to pipeline construction;

4.2.6 Interest charges paid to a lending agent for interim financing where
(a) Interim financing is **required** to cover a year-end grant receivable, and the maximum interest charge eligible for grant support is based on the amount of the year-end grant adjustment, and/or
(b) The distributor is eligible for progress level grant support, but payment of grants is delayed due to circumstances which are beyond the distributor's reasonable control.

Where a distributor makes immediate application for advance, progress, and year-end grants as soon as it is eligible to do so, and where prudent judgement is exercised in the timely purchase of goods and services, in the release and activation of lien notes, and in applications for gas rate borrowings, the need to fund capital costs by use of interim financing should be limited. Accordingly, interest charges respecting capital projects or programs should normally be restricted to the type of interim financing described in (a) and (b) above. The Division's audit review may, therefore, encompass an analysis and comparison of the timing of construction approvals, purchases and payments by the distributor, and applications for grants, to determine if interest charges incurred by interim financing appear to have been necessary.

Interest expense which is not eligible for grant support will include:

(i) Interest paid on loans for land or buildings, or for office, construction, automotive, or any other equipment purchased by the distributor
(ii) Interest paid for deficit financing or operating loans, including loans for trade or gas receivables or for purchase of inventories
(iii) Interest paid on interim financing respecting the distributor's share of capital costs as defined in Part E, including the amounts designated for non-grantable capital costs, for consumer contributions, and for the distributor's share of costs in excess of $3000 and $1000 for rural and urban capital costs respectively

(iv) Any other interest paid on financing which was not beyond the distributor's reasonable control.

Interest costs which are eligible for grant support will be reduced by the corresponding amount of any interest earned through interim investment of unexpended grant funds or consumer contributions.

4.2.7 Any other third-party charges necessarily and reasonably incurred for approved capital projects or programs;

4.2.8 Internal costs necessarily and reasonably incurred, and supported fully by a suitable and adequate work order system which is acceptable to the Division, for

(a) The wages, salaries, and/or fees paid to employees and directors for construction or related time as recorded on a work order system with respect to field activities, or diarized sufficiently with respect to office or shop activities by **any** employee or director (including office staff). All such time which the distributor wishes to report as directly attributable to approved capital projects or programs must be accounted for by such a system. Charges for only those hours accounted for on this basis may be categorized as capital costs which are eligible for grant support.

A charge will be established for hours recorded and documented by this method on the following basis:

(i) For employees paid on an hourly basis, the hourly rate plus employee benefits,

(ii) For salaried employees, a calculated hourly rate, based on the monthly salary paid plus employee benefits, divided by the total number of hours which the employee works in a month,

(iii) For directors, a reasonable hourly or flat fee for the services provided. Note: Directors' fees and expenses respecting regular board meetings may be categorized as an overhead expense under subsection 4.4.7.

(b) Vehicle expenses for field activities will be established on the basis of a flat, all-inclusive rate per mile or kilometer which is sufficient to equitably compensate for vehicle operating expenses while involved in field activities. A mileage log for all vehicles used in support of such activities must be maintained by the distributor,

(c) Employee and director expenses while engaged in field activities and recorded on the work order system, and

(d) Any other internal cost necessarily and reasonably incurred in connection with approved capital projects or programs.

Field and office-related activities referred to in (a) to (c) inclusive will generally involve such services as canvassing, load surveys, obtaining utility rights-of-way, pipeline routing and staking, inspection, surveying, and negotiating crop damages.

4.3 The portion of overhead expense indirectly attributable to approved capital projects or programs will be calculated annually by the following proration formula.

$$\text{Overhead expense indirectly attributable to capital projects or programs} = \frac{\text{Internal direct construction hours per 4.2.8(a)}}{\text{Total internal hours for all activities (construction and operations)}} \times \text{Eligible overhead expense per 4.4}$$

4.4 The eligible overhead expense to be utilized in the proration formula contained in subsection 4.3 will be defined by and limited to the following expenses provided that these expenses are reasonable for the distributor's rural gas utility.

4.4.1 Auditing and other professional fees not strictly incurred for either construction or operations,

4.4.2 Rental or leasing costs for office space, or the applicable annual depreciation where the distributor owns its office building,

4.4.3 The cost of operating and maintaining office space including fire insurance, utilities, property taxes, repairs, and general maintenance costs,

4.4.4 Telephone and other communications costs,

4.4.5 The applicable annual depreciation for office equipment, furnishings, and fixtures,

4.4.6 The cost of hall rentals or meeting facilities, and

4.4.7 Expenses applicable to regular meetings by a board of directors.

4.5 Notwithstanding subsection 4.4, eligible overhead expense will not include any expense which has been documented and reported as a direct construction cost and accepted as such by the Division.

4.6 Notwithstanding anything in this section:

4.6.1 No portion of internal costs under subsection 4.2.8 or eligible overhead expense under subsection 4.4 may be included in system capital costs for grant support unless the distributor has recorded the portion of internal costs which are directly attributable to construction on a work order system which is satisfactory to the Division;

4.6.2 Where a distributor is engaged in self-construction and has a unit rate agreement with the Division for that purpose, the terms of that agreement as generally outlined in section 5 may supersede certain criteria and policies outlined in this section.

## 5. Unit Rate Agreements for Determination of Capital Costs for Self-Construction

5.1 A distributor who elects to undertake all or a portion of pipeline construction in its rural gas utility by self-construction methods should determine that portion of capital costs attributable to self-construction from a unit rate schedule agreed to between the distributor and the Division for that purpose.

5.2 The schedule of unit rates would account for the following internal cost components:

5.2.1 The wages, benefits, and expenses of all salaried and wage employees who are employed in the self-construction program;

5.2.2 The cost of construction equipment, including purchase, depreciation, financing, leasing, operations, maintenance, and repair.

5.3 For purposes of clarification, a schedule of unit rates should be deemed to **exclude** the following capital cost components:

5.3.1 Third-party charges as described in subsection 4.2.1,

5.3.2 Internal costs for the services described in subsection 4.2.8, and

5.3.3 Overhead costs as described in subsection 4.4.

5.4 Upon completion of a self-construction program, a distributor shall compute the actual value of the schedule of unit rates by completing a spread sheet and submitting it to the Division for review and approval of capital costs. The Division reserves the right to conduct a field audit as part of its review which will normally be conducted following receipt of as-built drawings for the pipeline construction to which the schedule of unit rates applies.

## 6. System Capital Costs Ineligible for Grant Support

6.1 The capital costs expended by a distributor for development of its distribution system may be divided into two separate areas:

6.1.1 Capital costs which are ineligible for grant support (non-grantable costs), and

6.1.2 Capital costs which are eligible for grant support.

6.2 Non-grantable costs as specified in subsection 6.1.1 may include:

6.2.1 An amount deemed ineligible for grant support following a Division audit of capital costs under section 3;

6.2.2 Self-construction costs which exceed the amount derived from the schedule of unit rates as described in section 5;

6.2.3 Cost of service to an indoor farm in excess of $20 000 as described in Part E, subsection 5.6.3;

6.2.4 Service to non-grantable consumers as described in subsection 6.3;

6.2.5 Service to special non-grantable consumers as described in subsection 6.4;

6.2.6 Provision of natural gas supplies for standby purposes only as described in subsection 6.5;

6.2.7 The cost of materials or contracting services which do not meet the requirements for competitive tendering and vendor/product selection as described in Part C, section 4.

6.3 For purposes of this subsection, a non-grantable consumer may be defined as a consumer who utilizes natural gas for non-domestic and non-farming purposes, and who does not qualify as a farmer under the definition outlined in Part E, subsection 5.1.3.

The capital cost to be determined for service to a non-grantable consumer will depend on the consumer's location and peak hour design load as follows:

6.3.1 If located in a rural area with a peak hour design load less than 15 $m^3$/hour, either the dedicated cost of service or $1700, whichever is greater,

6.3.2 If located in a rural area with a peak hour design load greater than 15 $m^3$/hour but less than 70 $m^3$/hour, either the aggregate of the dedicated and, if applicable, the incremental cost of service or $1700, whichever is greater,

6.3.3 If located in a rural area with a peak hour design load greater than 70 $m^3$/hour, the non-grantable cost of service as determined by the Division,

6.3.4 If located in an urban area with a peak hour design load less than 7 $m^3$/hour, either the dedicated cost of service or $600, whichever is greater, or

6.3.5 If located in an urban area with a peak hour design load greater than 7 $m^3$/hour, either the aggregate of the dedicated and, if applicable, the incremental cost of service or $600, whichever is greater.

6.4 For purposes of this subsection, a special non-grantable consumer may be defined as a non-grantable consumer which is also a non-profit organization supported wholly by private contributions from the community.

The non-grantable cost of service for this type of consumer will be:

6.4.1 If located in a rural area, either the dedicated cost of service or $1700, whichever is less, or

6.4.2 If located in an urban area, either the dedicated cost of service or $600, whichever is less.

6.5 Where gas service is to be provided for standby purposes only, such as service for emergency electrical generation, the non-grantable cost of service shall be the aggregate of the dedicated and, if applicable, the incremental cost of service, or

6.5.1 $1700 if located in a rural area

6.5.2 $600 if located in an urban area

whichever is greater.

# PART E

# GRANTS

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## 1. Grant Eligibility Criteria

1.1 Under provisions of the Utilities and Telephones Grants Regulations, a system of grant support is available to certain natural gas distributors who are able to meet the general eligibility criteria outlined in this section.

1.2 Only those natural gas distributors who have received a franchise area approval under the provisions of the Rural Gas Act and the Rural Gas Regulation may be eligible for grant support.

1.3 Notwithstanding subsection 1.2

1.3.1 A distributor who has not received a franchise area approval may qualify for partial grant support if its gas utility has been classified by the Minister as a rural gas utility for purposes of that partial grant support;

1.3.2 A distributor may receive a grant to cover the capital cost of only a portion of its overall distribution system plant where that portion is intended to serve farm or urban consumers within the prescribed boundary of a franchise area approval. Any distribution system plant which is installed for any other purpose is ineligible for grant support.

1.4 Any distributor who makes application for a grant may, in order to satisfy the general eligibility criteria for that grant, be required to

1.4.1 Provide certain information with respect to the necessity for and purpose of the grant,

1.4.2 Provide evidence in the form of a financial statement or schedule, as may be requested by the Division, to verify that the capital cost for which grant support has been requested is reasonable and proper,

1.4.3 Satisfy the Division that all capital cost expenditures for which grant support is requested are covered by a construction approval issued by the Division,

1.4.4 Utilize the form of grant application as may be prescribed by the Division, and

1.4.5 Provide such other information, evidence, or documents which the Division may require to ensure that the type and/or amount of any grant is in accordance with the policies outlined in this manual.

1.5 Eligibility for grant support for any capital cost project or program to be undertaken by a distributor shall be confirmed in a construction approval or other such written confirmation as may be appropriate. A distributor shall not make application for a grant until it is in receipt of such written confirmation and, upon receipt, shall make application in accordance with the provisions specified in the written confirmation.

## 2. Grants - General

2.1 Where a distributor has incurred capital costs for the development of its rural gas utility, and

2.1.1 The distributor requests grant support for the capital costs,

2.1.2 The capital costs are deemed by the Division to be eligible for grant support in accordance with the policies outlined in Part D,

2.1.3 The capital costs and the project or program for which they have been incurred have received the approval of the Division under the requirements of Part B, and

2.1.4 The distributor is eligible for grant support in accordance with the eligibility criteria outlined in section 1,

the amount of grant available to the distributor with respect to those capital costs will be as outlined in this Part E.

2.2 Based on the policies outlined in this Part E, eligible capital costs derived from Part D may be divided into the following three categories:

2.2.1 The portion of eligible capital costs deemed by the Division to be subject to special grant support in accordance with the policies and formulae outlined in section 3,

2.2.2 The portion of eligible capital costs incurred for service to urban consumers in accordance with the policies and formulae outlined in section 4, and

2.2.3 The remaining portion of eligible capital costs which may be deemed by the Division to represent capital costs attributable to service for farm consumers in accordance with the policies outlined in section 5.

For purposes of this manual, the three capital cost items listed above may be redefined by use of the following corresponding terminology:

2.2.4 Special grants,

2.2.5 Urban capital costs, and

2.2.6 Rural capital costs.

2.3 The amount of special grant and/or the grant policy applicable to a project or program for which a distributor intends to request grant support will be outlined in a construction approval or amendment thereto issued pursuant to Part B, or in some other form of written confirmation provided by the Division.

2.4 Grants available to a distributor for development of its rural gas utility may be subject to a system of allocation as described in Part D, section 2, and distributors should plan any capital projects or programs accordingly.

2.5 Notwithstanding any other policy in this Part E, the amount of grant for which a distributor is eligible will be based on the original terms of approved contracts, or approved amendments thereto, for the design, project management, and construction of a distribution system, pipeline, or facility in a rural gas utility where such contracts are required pursuant to the provisions of Part C.

## 3. Special Grants

3.1 A portion of eligible capital costs derived from the policies outlined in Part D may be deemed by the Division to be eligible for 100 percent grant support (hereinafter referred to as "special grants") in accordance with the various policies and formulae outlined in this section.

3.2 Special grants referred to as **"RMO grants"** are available for the construction, upgrading, or replacement of a regulator-meter-odorizer station (RMO station) where that station is used by a distributor to purchase gas from Gas Alberta pursuant to the provisions of Part F, section 1. Where a station is not used to purchase gas from Gas Alberta, the cost of constructing, upgrading, or replacing the station may be included in the rural capital costs and may therefore be eligible for regular grant support under the provisions of subsection 5.5.

3.3 Special grants referred to as **"gas transportation grants"** are available for **construction of new service areas or extensions** in accordance with the following formulae.

3.3.1 For steel pipelines with an outside diameter of 88.9 mm or greater, the special grant will be equal to 100 percent of the capital cost of the pipeline, as predetermined by the Division;

3.3.2 For steel pipelines with an outside diameter less than 88.9 mm, and for all aluminum and polyethylene pipelines, the special grant will be based on the capital cost, as predetermined by the Division subject to the provisions of subsection 3.3.6(a), for the length of pipeline to the load centre as determined from subsection 3.3.6(b) and corrected for the following factors:

(a) **CAPITAL COST FACTOR**

| Average Cost Per Farm Consumer (Gross Per Project) | Factor |
|---|---|
| $3000 - $3750 | 0.50 |
| $3750 - $4500 | 0.75 |
| $4500 - $6000 | 1.00 |
| $6000 and over | 1.20 |

(b) **PENETRATION FACTOR**

| Percentage Sign-Up Achieved for Project | Factor |
|---|---|
| Up to 40 percent | 0.80 |
| 40 - 50 percent | 0.85 |
| 50 - 60 percent | 0.90 |
| 60 - 75 percent | 0.95 |
| 75 percent or greater | 1.00 |

3.3.3 Where the average cost per farm consumer for a rural gas utility is currently less than $3000, the gas transportation grant available for a new project will not exceed the maximum amount of special grant that would adjust the average cost per farm consumer including the new project to $3000;

3.3.4 The availability of a gas transportation grant for a project may be confirmed in a service area approval or other form of preliminary approval, but a final and fixed amount will be determined by the Division and confirmed to the distributor at the time of construction approval when the final project design has been established;

3.3.5 Notwithstanding subsection 3.3.4, if a Division audit of capital costs in a fiscal period determines that the average capital cost per farm consumer for a rural gas utility is less than $3000, and a gas transportation grant has been specified for a project undertaken during that fiscal period, then the fixed amount of gas transportation grant specified in the construction approval will be adjusted to raise the average capital cost per farm consumer to $3000;

3.3.6 With respect to subsection 3.3.2

(a) Capital costs used for the calculation of a gas transportation grant will be based on updated unit costs maintained by the Division with consideration given to any abnormal terrain or construction features. However, the cost of engineering, easements, crop damages, and distributor overhead applicable to the pipeline which is eligible for a gas transportation grant, will be included in rural capital costs;

(b) The load centre is the branch location on a distribution main from either

(i) The outlet of an RMO station where the distribution main is less than 88.9 mm outside diameter steel or is aluminum or polyethylene, or

(ii) The outlet of an intermediate regulator station installed on a steel pipeline of outside diameter 88.9 mm or greater

where 70 percent of the total peak hour design load of the farm consumers (subject to the limitations of subsection (c) below) served by the distribution main has been diverted to branch lines located between the inlet of the distribution main and the load centre;

(c) Peak hour design loads utilized in the determination of a load centre will not include the loads of the following categories of consumer services:

(i) Non-grantable
(ii) Grain dryer
(iii) Irrigation
(iv) Urban
(v) Subdivision
(vi) Farm loads in excess of 30 $m^3/hr$;

3.3.7 A gas transportation grant may be available to a distributor who is required, due to technical and/or safety reasons, to discontinue an existing gas supply and to reconnect its distribution system to an alternate gas supply. The gas transportation grant for such construction would be predetermined by the Division to account for all capital costs with the exception of costs for engineering, easements, crop damages, and distributor overhead, which may be included in rural capital costs;

3.3.8 A gas transportation grant may be available to assist distributors to provide grain dryer service at an economic cost in accordance with the provisions contained in subsection 3.4.

3.4 Special grants for **grain dryer service** are available to distributors on behalf of farm consumers who enter into separate contracts with the distributor for domestic heating purposes and for interruptible grain dryer service. Special grants under this subsection shall be based on the following formulae.

3.4.1 Each grain dryer service shall have a "shareable cost" established from its maximum burner rating, and the shareable cost shall be prorated into a special grant and distributor contribution in accordance with the following table.

| Burner Rating BTU/hr (kW) | Shareable Cost | Distributor Contribution | Special Grant |
|---|---|---|---|
| Up to 2 million (586) | $2150 | $1200 | $ 950 |
| 2 - 4 million (586 - 1172) | $2700 | $1500 | $1200 |
| 4 - 6 million (1172 - 1759) | $3400 | $1900 | $1500 |
| Over 6 million (1759) | $4300 | $2400 | $1900 |

3.4.2 In the case of grain dryer service being provided as part of a new service area or extension, the calculation of a gas transportation grant under subsection 3.3 shall take into account the pipe size and material approved by the Division for transportation of gas to grain dryers and other farm loads;

3.4.3 In the case of grain dryer service being provided in an existing system where

(a) The addition of a grain dryer service(s) to the system requires looping for which the Division is prepared to issue a construction approval, and

(b) The cost of grain dryer service exceeds the aggregate of shareable costs determined from subsection 3.4.1,

a gas transportation grant will be established on the basis of the following formulae:

(i) Determine the size of existing pipe paralleling the loop line and calculate the pressure drop across the **parallel** system,

(ii) Calculate a theoretical single pipe size to result in a similar pressure drop as in (i) above,

(iii) Calculate the incremental cost between the theoretical single pipeline from (ii) and the existing pipeline from (i) using current unit prices,

and the amount calculated from (iii) will be established as the gas transportation grant for grain dryer service. However, where the aggregate of shareable costs and gas transportation grant exceeds the total capital cost of grain dryer service, the gas transportation grant will be reduced accordingly.

3.5 Special grants for costs associated with **PE 3306 polyethylene pipe** are available with respect to

3.5.1 Replacement of PE 3306 pipe in the distributor's system or the consumer's yard system, and

3.5.2 Repair of PE 3306 pipe in the distributor's system where such repairs are required as a result of the defective nature of the pipe

and in accordance with the following criteria:

3.5.3 Where PE 3306 pipe is to be replaced with aluminum pipe or polyethylene pipe of greater diameter, or where the original routing of the system is to be altered significantly, the special grant for replacement will apply only to estimated replacement costs for polyethylene pipe which is the same size and in the same location as the PE 3306 pipe to be replaced. Any additional costs associated with the replacement project may be included in urban or rural capital costs as applicable.

3.5.4 For repairs on PE 3306 pipe where the Division has received a suitable leak report, the special grant will be established at $250 per repair.

3.6 Special grants are available to support **extraordinary gas losses** which a distributor has incurred due to circumstances beyond its reasonable control, and where the distributor is deemed to be eligible for the special grant in accordance with the following criteria.

3.6.1 General conditions for eligibility include the following:

(a) The distributor purchases the majority of its gas supplies for its rural gas utility from Gas Alberta,

(b) Applications by the distributor must include fully completed leak reports for all leaks repaired,

(c) All pipe sections removed from the distributor's system must be labelled by location and leak repair reference number, and retained by the distributor for audit and examination by the Division,

(d) Applications not related to PE 3306 pipe must be accompanied by supporting data and documentation which will indicate that the losses were due to circumstances beyond the distributor's reasonable control, and

(e) The distributor has

(i) Complete gas accounting records of volumes and monetary sales value,

(ii) Customer numbering segregated by sales tap,

(iii) Customer meter readings recorded monthly (regardless of billing frequency) consistent with wholesale meter records,

(iv) Gas balancing procedures acceptable to the Division,

(v) Customer service records which include

- Name
- Address and postal code
- Legal land description of meter location
- Meter model number
- Meter serial number or distributor meter number
- Metering pressure and factor
- Meter installation and replacement dates and meter readings

(vi) Met other requirements as may be requested by the Division;

3.6.2 The formula used to calculate this special grant will be based on the following:

(a) The volume of gas eligible for special grant support will be the difference between

(i) The **total volume** of gas purchased by the distributor, and

(ii) The **total volume** of gas sold by the distributor plus 5 percent of that volume;

(b) Gas volumes derived by the formula under (a) will be subject to the following corrections where applicable:

(i) Corrected to account for measurement errors,

(ii) Corrected to account for billing or gas accounting errors,

(iii) Corrected to account for losses incurred through third-party damage to pipelines, and

(iv) Corrected to a common base pressure of 101 kPa abs (14.65 psia);

(c) Gas volume losses eligible for grant support must relate to net losses for the distributor's entire rural gas utility and must encompass a common period for both purchase and resale which is not less than six months;

(d) Gas volume losses eligible for grant support will be broken down into rate periods to reflect the wholesale Gas Alberta rate in effect for each period, and the special grant will then be calculated as the aggregate of wholesale monetary losses, based on the Gas Alberta wholesale rate but excluding any secondary wholesale charges, such as excise taxes, for the gas loss period.

3.7 Special grants are available to permit a distributor, upon approval by the Division, to undertake research and development work related to the design, construction, or operation of its rural gas utility.

**4. Grants for Urban Capital Costs**

4.1 For purposes of this section:

4.1.1 An "urban area" means
(a) An incorporated town or village, or part of an incorporated town or village, included in a franchise area approval issued to a distributor pursuant to the provisions of Part A, or
(b) A group of properties that has been granted urban classification by the Division pursuant to the provision of subsection 4.2.

4.1.2 An "urban consumer" means a domestic type of gas consumer whose residence is located in an urban area.

4.1.3 The "urban capital cost" for a rural gas utility means that portion of eligible system costs derived from the policies under Part D that is incurred for service to urban consumers and is calculated by taking the aggregate of
(a) The portion of capital costs dedicated to serving urban consumers, and
(b) The prorated amount, applicable to urban consumers, of the capital cost of a distribution main that is shared by urban consumers and farm consumers.

4.1.4 The "capital cost per urban consumer" means the capital cost quotient obtained by dividing the urban capital cost by the number of urban consumers as determined from the provisions of subsection 4.3.

4.1.5 "Service" means the supply of natural gas to a consumer or group of consumers.

4.2 The Division may grant urban classification pursuant to the provisions of subsection 4.1.1 (b) to a group of properties that

4.2.1 Has been identified under a lot, block, and plan subdivision of land where the average lot size is not greater than 0.4 hectares, or

4.2.2 Is contained in an area of land under a single certificate of title where the average area of land per consumer is not greater than 0.4 hectares.

4.3 The number of urban consumers who may be utilized in the calculation of the capital cost per urban consumer may be based on the aggregate of the following:

4.3.1 The number of urban consumers, as defined in subsection 4.1.2, who hold contracts with the distributor and to whom service has been made available since receipt of a franchise area approval pursuant to the provisions of Part A,

4.3.2 The full number of lots in a subdivision or portion thereof which has been granted urban classification pursuant to subsection 4.2, where the developer of the subdivision has contracted with the distributor for natural gas service to all subdivision lots and where the distribution mains for that subdivision have been installed,

4.3.3 An equivalent of up to five urban consumers where a multiple domestic residence is provided with natural gas service from a single meter,

4.3.4 The number of additional occupied residences where those residences are separately metered by the distributor, and

4.3.5 The number of urban consumers served by the distributor prior to the distributor receiving a franchise under Part A where the distribution system serving those

consumers is wholly or partially upgraded or replaced and where the construction approval for the upgrading or replacement specifies the use of this subsection in the calculation of the capital cost per urban consumer. For the purposes of this subsection, the Division may deem the date of receipt of a franchise under Part A to be May 1, 1973.

4.4 Where a construction approval specifies the use of subsection 4.3.5 in determining the capital cost per urban consumer, the urban capital cost shall be the aggregate of the following:

4.4.1 The urban capital cost as determined by a Division audit, and

4.4.2 A deemed urban capital cost for construction prior to receipt of franchise which is obtained by multiplying the number of urban consumers from subsection 4.3.5 by an assumed capital cost of $1000 for each of those consumers.

4.5 Notwithstanding any other definition or provision in this section, the capital cost per urban consumer used in the calculation of grants for urban capital costs shall be based on the cost quotient obtained by dividing the current total urban capital cost for the distributor's entire rural gas utility (including, if applicable, any deemed pre-franchise costs pursuant to subsection 4.4.2) by the current total number of urban consumers served by the distributor (including, if applicable, any pre-franchise consumers pursuant to subsection 4.3.5).

4.6 Using the current average capital cost per urban consumer applicable to a distributor's rural gas utility, the total grant available in support of urban capital costs may be calculated from the following table.

| **Current Average Capital Cost Per Urban Consumer** | **Sharing of Capital Costs** |
|---|---|
| Up to $600 | 100% distributor |
| Over $600 to $1000 | 100% grant |
| Over $1000 to $1500 | 25% distributor - 75% grant |
| Over $1500 to $3000 | 10% distributor - 90% grant |
| Over $3000 | 100% distributor |

4.7 Notwithstanding subsection 4.6, where the average capital cost per urban consumer includes the provisions under subsection 4.4.2, the 100 percent grant for capital costs over $600 up to $1000 shall not be applicable to those consumers served by the distributor prior to receipt of the franchise respecting the distributor's rural gas utility.

5. **Grants for Rural Capital Costs**

5.1 For purposes of this section

5.1.1 "Rural capital cost" means the capital cost determined by a Division audit under Part D less the aggregate of:

(a) The capital cost supported by special grants pursuant to the provisions of section 3, and

(b) The urban capital cost as determined from the provisions of section 4.

5.1.2 "Farm consumer" means a farmer as defined in subsection 5.1.3 and includes a domestic type of rural gas consumer whose share of the capital costs of a rural gas utility is the same as a farmer's share.

5.1.3 "Farmer" means a rural resident who operates a farm as defined in subsection 5.1.4 and who derives from that activity

(a) An income sufficient to provide a livelihood, where the farm contains 8 hectares or more or has been reduced to less than 8 hectares by expropriation, or

(b) His principal income where the farm contains less than 8 hectares, except where it has been reduced to less than 8 hectares by expropriation.

5.1.4 "Farm" means a parcel or parcels of land operated as a unit by a farmer and used in connection with

(a) The raising or production of crops, livestock, or poultry, or

(b) Fur production, beekeeping, tree farming, or a greenhouse.

5.1.5 "Capital cost per farm consumer" means the capital cost quotient obtained by dividing the rural capital cost by the number of farm consumers as determined from the provisions of subsection 5.2.

5.2 The number of farm consumers who may be utilized in the calculation of the capital cost per farm consumer may be based on the aggregate of the following.

5.2.1 The number of farm consumers as defined in subsection 5.1.2 who hold contracts with the distributor and to whom gas service has been made available since receipt of a franchise area approval pursuant to the provisions of Part A,

5.2.2 The full number of lots in a rural subdivision, where the developer of the subdivision has contracted with the distributor for natural gas service to all subdivision lots and where the distribution mains for that subdivision have been installed,

5.2.3 An equivalent of up to five farm consumers where a communal farm or multiple domestic residence in a rural area is provided with natural gas from a single consumer meter,

5.2.4 The number of additional occupied residences where those residences are separately metered by the distributor,

5.2.5 The number of services for irrigation use where those services are separately metered by the distributor, and

5.2.6 The number of farm consumers served by the distributor prior to the distributor receiving a franchise under Part A, where the distribution system serving those consumers is wholly or partially upgraded or replaced and where the construction approval for the upgrading or replacement specifies the use of this subsection in the calculation of the capital cost per farm consumer. For purposes of this subsection, the Division may deem the date of receipt of a franchise under Part A to be May 1, 1973.

5.3 Where a construction approval specifies the use of subsection 5.2.6 in determining the capital costs per farm consumer, the rural capital cost shall be the aggregate of the following:

5.3.1 The rural capital cost as determined by a Division audit, and

5.3.2 A deemed rural capital cost for construction prior to receipt of franchise which is obtained by multiplying the number of farm consumers from subsection 5.2.6 by an assumed capital cost of $3000 for each of these consumers.

5.4 Notwithstanding any other definition or provision in this section, the capital cost per farm consumer used in the calculation of grants for rural capital costs shall be based on the cost quotient obtained by dividing the current total rural capital cost for the distributor's entire rural gas utility (including, if applicable, any deemed pre-franchise costs pursuant to subsection 5.3.2) by the current total number of farm consumers served by the distributor (including, if applicable, any pre-franchise consumers pursuant to subsection 5.2.6).

5.5 Using the current average capital cost per farm consumer applicable to a distributor's rural gas utility, the total grant available in support of rural capital costs may be calculated from the following table:

| **Current Average Capital Cost Per Farm Consumer** | **Sharing of Capital Costs** |
|---|---|
| Up to $1700 | 100% distributor |
| Over $1700 to $3000 | 100% grant |
| Over $3000 to $4500 | 25% distributor - 75% grant |
| Over $4500 to $6000 | 10% distributor - 90% grant |
| Over $6000 | 100% distributor |

5.6 Notwithstanding subsection 5.5

5.6.1 Where the average capital cost per farm consumer includes the provisions under subsection 5.3.2, the 100 percent grant for capital costs over $1700 up to $3000 shall not be applicable to pre-franchise consumers;

5.6.2 Where the number of farm consumers includes services for irrigation use

(a) The 100 percent grant for capital costs over $1700 up to $3000 shall be applicable to only the first service for irrigation use by a farm consumer, and this grant shall not be applicable to the second or any subsequent services for irrigation use by that farm consumer, irrespective of ownership of land on which the irrigation services are located,

(b) Where a farm consumer operates more than one irrigation engine from a single consumer meter, the Division may deem a maximum capital cost of $3000 as ineligible for grant support if the provision of service necessitates oversize pipe or system looping,

(c) Where a farm consumer relocates an irrigation engine and the distributor provides a new service while retaining the existing service, the new service will be added to the distributor's farm consumer count, but the 100 percent grant for capital costs over $1700 up to $3000 shall not be applicable to the new service,

(d) Where a farm consumer relocates an irrigation engine and the distributor provides a new service while abandoning the existing service, the distributor's farm consumer count will remain unchanged, but the cost of the new service will be deemed ineligible for grant support;

5.6.3 Where the number of farm consumers includes an indoor farm or greenhouse located in a rural area and involved in the production of crops, the capital cost for service to that indoor farm or greenhouse will be limited to a maximum of $20,000, and any costs in excess of this amount will be deemed ineligible for grant support.

6. **Grant Applications**

6.1 All applications for advance, progress, or year-end grants must be made on the Division's grant application form, and must be signed and sealed by an authorized representative of the distributor prior to submission to the Division for review, approval, and processing.

6.2 Upon receipt of a service area or construction approval, a distributor may apply for an advance grant respecting the estimated additional grant eligibility to which it is entitled. An advance grant will be either

6.2.1 Up to 75 percent of the estimated additional grant eligibility resulting from

(a) A construction approval to replace PE 3306 pipe pursuant to the grant provisions contained in subsection 3.5.1,

(b) Receipt of suitable leak reports respecting repairs to PE 3306 pipe pursuant to the grant provisions contained in subsection 3.5.2, and/or

(c) Completion of an initial Division audit of an application for grants respecting extraordinary gas losses pursuant to the grant provisions contained in subsection 3.6, or

6.2.2 Up to 37.5 percent of the estimated additional grant eligibility resulting from any other approved project or program. Advance grants under this category shall be used only for purchase of materials and supplies for the project or program and to cover initial engineering fees.

6.3 Further to subsection 6.2.2, where a distributor can demonstrate to the Division that it has expended at least 50 percent of the capital costs for the approved project or program, the distributor may be entitled to a progress grant not exceeding 37.5 percent of its estimated additional grant eligibility resulting from

6.3.1 Revised capital cost estimates as determined from an interim accounting of capital costs which must accompany the application for progress grants,

6.3.2 Revised capital cost estimates due to reduction in the scope of the project or program or a deferral of a portion of the project or program to the next construction year, or

6.3.3 Where acceptable to the Division, the original capital cost estimates specified in a construction approval.

6.4 Notwithstanding subsection 6.3, a distributor may be entitled to

6.4.1 The balance of a gas transportation grant specified in a construction approval when it can be demonstrated to the Division that at least 50 percent of the approved project costs have been expended;

6.4.2 The balance of eligible grant for PE 3306 repair costs where the repair has been completed;

6.4.3 The balance of eligible grant for extraordinary gas losses where a Division audit of those losses determines that all criteria and requirements of section 3.6 have been met.

6.5 Further to subsection 6.3, a distributor may be entitled to a further progress grant not exceeding 12.5 percent of its estimated additional grant eligibility respecting an approved project or program where

6.5.1 The project or program, as described in the Division's approval or amendment thereto, has been completed,

6.5.2 Where required by the Division, construction progress reports have been completed by the distributor and submitted to the Division,

6.5.3 The capital cost for the approved project or program has been compiled and has been subject to an audit by the Division,

6.5.4 With respect to either a member-owned co-operative association or a rural municipal authority, the distributor has filed a schedule of its rates, tolls, and charges with the Division and with the Public Utilities Board, and

6.5.5 Any other requirements of the Division have been met.

6.6 Further to subsection 6.5, the balance of any additional grant eligibility to which a distributor is entitled following its fiscal year end may be paid to a distributor where

6.6.1 The joint requirements of subsections 6.5.1 to 6.5.3 inclusive have been met by the distributor,

6.6.2 The Division has received as-built drawings for all construction undertaken to date and such drawings have been properly compiled in accordance with Part B, section 9 of the Division's Technical Standards and Specifications Manual,

6.6.3 The distributor has received a licence from the Energy Resources Conservation Board to operate the pipelines and plant contained in the as-built drawings submitted under subsection 6.6.2,

6.6.4 Where applicable, the Division is in receipt of an executed gas supply contract made pursuant to Part F, section 1,

6.6.5 The distributor's account with Gas Alberta is in a current position,

6.6.6 An independent audit has been completed for the distributor's rural gas utility, and a financial statement covering that audit has been submitted to the Division together with any supporting information requested by the Division, and

6.6.7 Pursuant to all of the provisions outlined above, and further to a Division audit under Part D, the Division is satisfied that payment of the balance of any additional grant eligibility complies with all of the policies and requirements outlined in this manual, and with any other related legislation and standards.

6.7 Notwithstanding any other policy outlined in this section, a year-end grant, and where applicable, any advance or progress grant may be based on the calculation of total grant eligibility to date less grants paid to date respecting the distributor's entire rural gas utility.

6.8 A distributor may, at its option, authorize the Division to forward payments directly to a third party such as

6.8.1 Direct payments to third-party agents for special projects or programs in a distributor's rural gas utility, and/or

6.8.2 Direct payments of advance, progress and year-end grants to a distributor's bank or lending agent.

Direct payments are optional to the distributor for both categories and require that the distributor provide the Division with authority in this regard by completing, signing, and sealing an agreement to assign funds directly.

# PART F

# GENERAL POLICIES

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## 1. Gas Alberta

1.1 Gas Alberta acts as a broker for the purchase of natural gas from various suppliers, such as producers, exporters, and utility companies, and for the resale of natural gas to distributors. In addition, Gas Alberta may also act as a broker in natural gas exchange arrangements between suppliers and distributors.

1.2 The price for natural gas resold by Gas Alberta to distributors is uniform throughout the Province and may change from time to time to reflect natural gas pricing policies. This uniform natural gas price takes into account a number of factors including:

1.2.1 The maximum purchase price which Gas Alberta must pay to suppliers, which is set by

(a) The Alberta Petroleum Marketing Commission, which establishes the maximum price that producers and exporters may charge, or

(b) The Public Utilities Board, which approves the price to be charged by regulated utility companies.

Notwithstanding maximum purchase prices, Gas Alberta will attempt to negotiate the most economic price for gas purchased, including individual cost components such as the base wellhead cost, transportation, load factors, supplier administration costs, and facilities operating costs.

1.2.2 Gas Alberta applies for and obtains any rebates under the Natural Gas Price Protection Plan, and the rebates obtained is deducted from the wholesale price of gas charged to distributors.

1.2.3 The wholesale price of natural gas sold by Gas Alberta does not include cost components for

(a) Federal excise tax or other federal taxes which are the distributor's responsibility, or

(b) Office and staff administration costs incurred by Gas Alberta in its role as a broker of natural gas.

The uniform natural gas price charged by Gas Alberta is, therefore, comprised of two basic components:

(i) The base cost of natural gas which is otherwise known as the Provincial Support Price and which is basically calculated from the Alberta Border Price, as established by the Alberta Petroleum Marketing Commission, less the rebate under the Natural Gas Price Protection Plan, and

(ii) The Gas Alberta Operating Cost which is established as a fixed rate to offset the cost to Gas Alberta for add-on costs such as transportation, suppliers' administration, load factors, and operation of supply facilities.

1.3 A distributor who purchases natural gas from Gas Alberta must enter into a contract with Gas Alberta for that purpose.

1.4 A distributor may, subject to entering into a special agreement with Gas Alberta, utilize the Gas Alberta retailing billing system to bill its consumers for natural gas service. This system, which also serves as a revenue accounting system and listing of accounts receivable, is available on an optional fee structure of either

1.4.1 2¢/GJ (per gigajoule), or

1.4.2 53¢ for each individual billing issued under the system.

The above rates may be adjusted from time to time to reflect inflationary increases in the cost of this service.

## 2. Insurance Coverage

2.1 A distributor shall at all times carry comprehensive public liability and property damage insurance, including standard non-owned automobile liability coverage and contingent employer's liability coverage, with an insurer licensed to do business in Alberta in a total amount of not less than $500,000.

2.2 Property damage coverage under subsection 2.1 shall be based on an "occurrence" basis rather than an "accident" basis.

2.3 In addition to the insurance coverage requirements of subsection 2.1, a distributor shall also insure and keep insured all buildings, above-ground equipment (including RMO stations, regulator stations, and block valve station owned by the distributor), and material and equipment inventories, to at least the current actual value of that property.

2.4 A distributor shall carry blanket position bonding of officers and employees in a total amount of not less than $20,000.

2.5 A distributor shall file with the Division

2.5.1 Proof, satisfactory to the Division, that it is complying with the requirements of this section, and

2.5.2 A written statement from its insurer certifying that the insurance policy will not be cancelled, amended, or allowed to expire except on 20 days written notice to the Division and that until such notice is given, the policy will remain in full force and effect notwithstanding any provision, condition, or agreement to the contrary.

2.6 Notwithstanding anything in this section, the insurance coverage requirements specified herein may be waived or superseded by any equivalent or greater insurance coverage requirements of any other agency or legislation which has authority over the affairs of the distributor.

3. **Utility Rights-of-Way**

3.1 Notwithstanding any other provision in this manual, a distributor shall not

3.1.1 Proceed with the installation of a pipeline on any lands unless it is in receipt of a proper and legal authority to do so from the owner or legal administrator of those lands by means of an executed easement, utility right-of-way, or other legal instrument which certifies that the distributor has such authority.

3.1.2 Construct an above-ground facility such as an RMO station, regulator station, or block valve station unless it is in receipt of an above-ground appurtenance agreement duly signed and authorized by the owner or legal administrator of the land on which the above-ground facility is to be installed.

3.2 An easement, utility right-of-way, or other instrument utilized by a distributor to obtain authorization under the provisions of subsection 3.1.1 shall

3.2.1 Be on a form prescribed by or acceptable to the Division,

3.2.2 Contain all necessary provisions to ensure that the distributor obtains such rights, title, and interests as are necessary to construct, operate, maintain, inspect, service, survey, repair, and replace its pipeline and associated facilities,

3.2.3 Not contain any provisions which are unnecessarily detrimental, discriminatory, or unfair to the owner of the lands, or which prejudice the distributor's right and ability to carry out the basic functions described in subsection 3.2.2,

3.2.4 Notwithstanding the requirements of subsections 3.2.1 to 3.2.3 inclusive, contain such terms and provisions acceptable to the Registrar of Land Titles in order that the instrument may be registered on the title for the lands in question.

3.3 An easement, utility right-of-way, or other instrument obtained by a distributor under the provisions of subsection 3.1.1 shall be filed for registration at the Land Titles Office. Where, due to genuine circumstances, it is not possible to file the document, a caveat with respect to the easement, utility right-of-way, or other instrument shall instead be filed to register the distributor's interests.

3.4 The Division may, subject to certain restrictions, assist distributors in the compilation of easement or utility right-of-way documents and, upon their execution, the registration of such documents at the Land Titles Office. The basic administrative procedures involved in this service are as follows.

3.4.1 When the proposed routing for a pipeline system has been finalized, the distributor will submit a listing of the lands involved to the Division.

3.4.2 On receipt of this listing, the Division will conduct a title search for the lands, and will then compile from the results of this search a set of utility right-of-way and/or consent documents, in triplicate, which will be provided to the distributor.

3.4.3 On receipt of the documents, the distributor will obtain the required signature of the landowner named in the document on all three copies, complete the document, and then return the original and second copy to the Division. The third copy should be retained by the landowner.

3.4.4 The Division will register the executed document at the Land Titles Office on behalf of the distributor and, when registration is complete, the second copy, which will have a registration number affixed for reference, will be returned to the distributor. The original copy of the executed document will be retained as a permanent record at the Land Titles Office.

3.4.5 Where the form or content of a document is not acceptable to the Registrar of Land Titles, the document will be returned to the distributor with advice on the action required to correct the deficiency involved.

3.5 A manual on the subject of utility right-of-way is available from the Division upon request.

## 4. Lien Notes

4.1 For purposes of this section, "member" means a member of a rural gas co-operative association who wishes to finance a portion of his member contribution for natural gas service and to have the Provincial Treasurer guarantee the repayment of the amount financed pursuant to the provisions of the Co-operative Marketing Associations and Rural Utilities Guarantee Act.

4.2 Where a guarantee for a portion of a member's contribution is requested by the member, the association shall ensure that an Order in Council is in place and shall obtain a standard lien note document from the Division for this purpose.

4.3 A lien note provided to the association should be completed jointly by the association and the member. The following information is pertinent in this regard.

4.3.1 Lien notes shall be completed in triplicate and, if carbon copies or photocopies are used, **original** signatures are nevertheless required on all three copies.

4.3.2 Special notations shall not be added to the lien note. Where additional information or comments are required, these should be outlined in a separate memorandum attached to the lien note.

4.3.3 Lien notes shall include the following information:

(a) The full name and address of the member,

(b) The full and detailed description of the member's land,

(c) The name and address of the lending agency,

(d) The relevant details respecting the loan, including the amount of the principal sum, the term, the rate of interest, and the repayment schedule. Should the repayment schedule not be provided at the time of initial completion and signing of the lien note, the association shall obtain written authorization from the member for the association or the Division to insert the repayment schedule at a later date,

(e) The signatures of the member, subject to the provisions of subsection 4.3.4, and the association, and

(f) The corporate seal of the association.

Where any of the above information is subsequently amended, the member shall initial the amendment on all copies of the lien note.

4.3.4 Acceptable member signatures on a lien note should consist of one of the following options:

(a) The member if he is the single registered owner of the lands described in the lien note.

(b) The member and **all** other registered owners in the case of joint or multiple ownership of the lands.

(c) The registered owner or owners of the lands where the member has a registered interest in the lands by way of a caveat.

(d) The signatures of two company directors, covered by the company's corporate seal, where the lands described in the lien note are owned by an incorporated company. In addition, a resolution authorizing the loan must be attached to the lien note and must be signed by two directors and covered by the corporate seal.

(e) In the case of non-patented lands and/or the title held by Veteran Affairs, Agriculture Development Corporation, etc., lien notes will be approved if the note is in the name of the person whom the organization involved has on record. However, co-signing of lien notes is not acceptable, and the member's account must be in good standing.

4.3.5 If the member has two contracts with the association and the member's contribution for both contracts is to be subject to lien notes, two lien notes are required, one of which should indicate the existence of the two notes by adding the term "second service".

4.4 Completed lien notes should be submitted to the Division for approval. When approved, a notice of lien will be registered on the titles for the land in question.

4.5 If an approved Order in Council is in place, the Division will be able to release lien notes following confirmation in writing from the association as to which lien notes are to be released and the date or dates each lien note or group of lien notes is to be activated. Pursuant to the provisions of Part D, subsection 4.2.6, confirmation from the association to release and activate lien notes should coincide as far as is possible with the construction approval which includes service to the members described in the lien notes.

4.6 When lien notes are released

4.6.1 One copy of the document will be returned to the association,

4.6.2 One copy will be forwarded to the lending agent, and

4.6.3 The original document will be retained by the Division.

The amount specified in the lien note may be released by the lending agent at that time and, in any event, must be released in total prior to expiration of the Order in Council. Where any portion of the amount has not been released by the date the Order in Council expires, a new application to the Division is required. At the time the lien note is to be released, the association must provide the Division with a promissory note which will be forwarded to the Provincial Treasurer for endorsement.

4.7 When a lien note is paid in full, the lending agent must return its copy of the note, with a covering letter confirming payment in full, to the Division which will then discharge the lien registered on the land. The original note and the lender's copy, together with a copy of the discharge of lien, will be returned to the association which, in turn, should forward all copies to the member concerned.

4.8 When land is sold, the lien note may be paid in full or the balance owing assumed by the new owner, in which case replacement lien notes must be taken from the new member. Replacement notes must be actual duplicates of the original note with amounts, dates, and schedules remaining the same. In addition, the new member's note must indicate the name of the original member and the loan number.